



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Bisbee Unified School District

APRIL • 2006



Debra K. Davenport
Auditor General

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STATE OF ARIZONA
OFFICE OF THE
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April 13, 2006

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Governing Board
Bisbee Unified School District

Mr. Paul McDonald, Superintendent
Bisbee Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Bisbee Unified School District* conducted pursuant to A.R.S. §41-1279.03. I am also transmitting with this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the District agrees with all of the findings and recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on April 14, 2006.

Sincerely,

Debbie Davenport
Auditor General

Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Bisbee Unified School District pursuant to A.R.S. §41-1279.03(A)(9). This performance audit examines six aspects of the District's operations: administrative costs, food service, student transportation, plant operation and maintenance, expenditures of sales taxes received under Proposition 301, and the accuracy of district records used to calculate the percentage of dollars spent in the classroom.

Administration (see pages 5 through 8)

The District's fiscal year 2004 per-pupil administrative costs of \$851 were slightly higher than those of other districts with a similar number of students. These higher costs occurred at the school level and were related to operating more schools than the comparable districts. Additionally, the District did not maintain adequate controls over its accounting system and nonpayroll expenditures.

Food service (see pages 9 through 12)

Although the District's food service program is self-supporting, its \$374 cost per student was 26 percent higher than the comparable districts' average. This contributed to the District's lower-than-average classroom dollar percentage. These higher costs are partly explained by the greater number of meals the District served. Further, while its cost per meal is lower than the comparable districts' average, it is higher than other similarly sized districts previously audited by this Office. The District can make greater use of performance measures and reporting to manage its food service program and lower its meal costs.

Student transportation (see pages 13 through 16)

The District's student transportation costs were average when compared to other districts with a similar number of schools, students, route miles, and riders. Further,

its bus logs supported its reported mileage and its driver files were complete. However, the District's routes were inefficient, its bus files lacked maintenance and inspection information, and performance measures were not established and monitored.

Plant operation and maintenance (see pages 17 through 21)

The District's \$4.11 per-square-foot and \$979 per-pupil costs were higher than comparable districts'. The District's higher costs were partly due to operating schools below their capacities, operating more schools with more building space per student than the comparable districts, and using more water than comparable districts, on average. The District also had other facility-related issues. First, the District stored unnecessary items such as outdated records, excess inventory, and museum antiques in its unused classrooms and hallways. Additionally, the District's buildings were not always well maintained.

Proposition 301 monies (see pages 23 through 25)

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. The District allocated and spent its monies according to statutory guidelines. On average, each full-time eligible employee meeting all performance requirements received \$4,146 in additional pay from Proposition 301 monies. The District directed all of its menu monies toward additional compensation for eligible employees.

Classroom dollars (see pages 27 through 29)

Statute requires the Auditor General to determine the percentage of every dollar Arizona school districts spend in the classroom. Therefore, auditors reviewed the District's recording of classroom and other expenditures to determine their accuracy. After correcting for classification errors, the District's fiscal year 2004 classroom dollar percentage decreased to 52.5 percent, which is 6.1 points below the state average for the same fiscal year. However, because the District had more per-pupil resources available than the comparable districts', the District's per-pupil spending in the classroom was similar to the state and comparable districts' averages. The most significant of the District's additional revenues were from federal programs, such as Title I, and local taxes for higher utility costs.

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INTRODUCTION & BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Bisbee Unified School District pursuant to A.R.S. §41-1279.03(A)(9). This performance audit examines six aspects of the District's operations: administrative costs, food service, student transportation, plant operation and maintenance, expenditures of sales taxes received under Proposition 301, and the accuracy of district records used to calculate the percentage of dollars spent in the classroom.

The Bisbee Unified School District, located 90 miles southeast of Tucson in southern Cochise County, served 964 students in pre-kindergarten through 12th grade in fiscal year 2004 and 984 students in fiscal year 2005. The District has 4 schools, including a primary school serving students in pre-kindergarten through third grade, a middle school for fourth through sixth grades, a junior high school for seventh and eighth grades, and a high school.

A 5-member board governs the District and a superintendent manages it. In fiscal year 2004, the District employed 3 principals and 1 assistant principal. One of the principals served 2 schools. In total, the District reported having 59 certified teachers, 21 instructional aides, and 48 other employees, such as administrative staff, food service workers, bus drivers, and custodians.

District programs and challenges

The District offers a wide range of instructional and extracurricular programs (see text box). The District also participates in the Hands Across the Border exchange program with its sister school in Sonora, Mexico. Approximately 25 students from each school spend 4 days learning about the other country's culture by attending school in that country, participating in extracurricular activities, and spending time with their parent sponsors. Additionally, the District offers a School-to-Work program for which high school students are released early from school to work at a place of employment. The students are required to work 120 hours and to write a report on their learning

The District offers:

- School-wide Balanced Literacy Program
- Everyday Math Series
- Vocational program
- Athletics
- Drama, music, and choir
- Advanced placement
- English as a Second Language program
- On-site special education
- Student Council
- Knowledge Bowl

experience and how they benefited from the job. If they meet all the requirements, they earn 1 credit, or the equivalent of taking one class.

For the 2004 school year, one school was labeled as “highly performing” through the Arizona LEARNS program, while three schools were labeled as “performing.” Additionally, all of the District’s schools met “Adequate Yearly Progress” for the federal No Child Left Behind Act.

The number of students in the District has declined over the past decade. However, according to district officials, the community has been hesitant to close any of its four schools. This has left the District with excess building capacity and made it more difficult for the District to effectively maintain its schools within the limited resources. This is discussed further in Chapter 4 of this report.

Scope and methodology

Based in part on their effect on classroom dollars, as reported in the Auditor General’s annual report, *Arizona Public School Districts’ Dollars Spent in the Classroom (Classroom Dollars report)*, this audit focused on four operational areas: administration, food service, student transportation, and plant operation and maintenance. Further, because of the underlying law initiating these performance audits, auditors also reviewed the District’s use of Proposition 301 sales tax monies and how accurately it accounted for dollars spent in the classroom.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2004 and preliminary fiscal year 2005 summary accounting data for all districts and the Bisbee Unified School District’s detailed accounting data, contracts, and other district documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff. Additionally:

- To assess the District’s administrative costs’ accuracy, auditors evaluated internal controls related to expenditure processing and tested the accuracy of fiscal year 2004 expenditures. Auditors also reviewed personnel files and interviewed district and school administrators about their duties, salaries, and related costs, and compared these to similar districts’.
- To assess whether the District’s food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2004 food service revenues and expenditures and preliminary fiscal year 2005 expenditures, including labor and food costs; observed meals being prepared and served to students; evaluated functions such as meal production, purchasing, and inventory control; and compared costs to similar districts’.

- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, and bus routing. Auditors also reviewed fiscal year 2004 and preliminary fiscal year 2005 transportation costs and compared them to similar districts'.
- To assess whether the District's plant operation and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2004 and preliminary fiscal year 2005 plant operation and maintenance costs and district building space, and compared these costs and capacities to similar districts'.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2004 expenditures to determine whether they were appropriate, properly accounted for, and remained within statutory limits. Auditors also reviewed the District's performance pay plan and analyzed how performance pay was being distributed.
- To assess the accuracy of the District's classroom dollars and other expenditures, auditors reviewed accounting records to determine whether costs were properly recorded.

The audit was conducted in accordance with government auditing standards.

Following are the main conclusions related to the audit objectives:

- **Administration**—The District's administrative costs per pupil were slightly higher than comparable districts', reflecting the District's operation of more schools. The District can also strengthen certain administrative procedures.
- **Food service**—The District's food service cost per student was higher than comparable districts' because it served more meals per student. However, the District can make greater use of performance measures and reporting to manage its food service program and lower its meal costs.
- **Student transportation**—The District's student transportation costs are similar to comparable districts', but inefficiencies observed in bus routes indicate that cost savings are possible. Although the District maintained records adequate to support its reported mileage, other aspects of recordkeeping can be improved.
- **Plant operation and maintenance**—The District's plant costs per square-foot and per student were slightly higher than comparable districts'. The District could lower plant costs by maintaining less building space, using its building space more efficiently, and lowering its high water and sewage costs.

- **Proposition 301 monies**—The District’s plan for spending its Proposition 301 monies was complete, addressing how its base pay, performance pay, and menu monies were to be spent. In addition, the District spent its Proposition 301 monies for purposes authorized under statute and in accordance with the board-approved plan.
- **Classroom dollars**—After necessary adjustments to correct errors, the District’s fiscal year 2004 classroom dollar percentage was 52.5 percent—6.1 percentage points below the state average for the same year. This lower percentage illustrates the importance of further evaluating noninstructional spending in such areas as administration, food service, transportation, and plant operations.

The Auditor General and her staff express their appreciation to the Bisbee Unified School District’s board members, superintendent, and staff for their cooperation and assistance throughout the audit.

CHAPTER 1

Administration

Bisbee Unified School District's administrative costs per pupil were slightly higher than comparable districts'. These higher costs occurred primarily at the school level and were related to operating more schools than the comparable districts. Additionally, the District did not establish proper user security to protect the integrity of its accounting system and did not maintain adequate accounting controls over its nonpayroll expenditures.

What are administrative costs?

Administrative costs are those associated with directing and managing a school district's responsibilities at both the school and district level. At the school level, administrative costs are primarily associated with the principal's office. At the district level, administrative costs are primarily associated with the governing board, superintendent's office, business office, and central support services, such as planning, research, data processing, etc. For the purposes of this report, only current administrative costs, such as salaries, benefits, supplies, and purchased services, were considered.¹

Administrative costs per pupil were slightly higher than comparable districts'

The District spent \$52 more per pupil on administrative costs than the comparable districts averaged. Using average daily membership counts and number of schools information obtained from the Arizona Department of Education, auditors selected districts that

Administrative costs are monies spent for the following items and activities:

- General administrative expenses are associated with governing board's and superintendent's offices, such as elections, staff relations, and secretarial, legal, audit, and other services; the superintendent's salary, benefits, and office expenses; community, state, and federal relations; and lobbying;
- School administration expenses such as salaries and benefits for school principals and assistants who supervise school operations, coordinate activities, evaluate staff, etc., and for clerical support staff;
- Business support services such as budgeting and payroll; purchasing, warehousing, and distributing equipment, furniture, and supplies; and printing and publishing; and
- Central support services such as planning, research, development, and evaluation services; informing students, staff, and the general public about educational and administrative issues; recruiting, placing, and training personnel; and data processing.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

¹ Current expenditures are those incurred for the District's day-to-day operation. They exclude costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service, that are outside the scope of preschool through grade 12 education.

Table 1: Total and Per-Pupil Administrative Cost Comparison
Fiscal Year 2004
(Unaudited)

District Name	Total Administrative Cost	Number of Students	Administrative Cost Per Pupil
Tombstone USD	\$788,969	923	\$855
Thatcher USD	945,419	1,108	853
Bisbee USD	820,319	964	851
Miami USD	912,726	1,111	822
Benson USD	706,697	964	733
St. Johns USD	747,319	1,023	730
Average of the comparable districts	\$820,226	1,026	\$799

Source: Auditor General staff analysis of district-reported fiscal year 2004 accounting data and average daily membership information obtained from the Arizona Department of Education.

had a similar number of students and schools as Bisbee Unified School District. The following tables use fiscal year 2004 cost information because it is the most recent year for which all comparable districts' final cost data was available.

As illustrated in Table 1, the District's \$851 per-pupil administrative costs were \$52, or 6.5 percent, higher than the \$799 comparable districts' average. A review of preliminary fiscal year 2005 data indicates that the District's administrative costs continue to be slightly higher than the comparable districts'.

Higher school-level administrative costs—When further analyzed by functional area, the District's higher administrative costs occurred at the school level. As shown in Table 2, Bisbee Unified spent \$55 more per student for school administration than the comparable districts did, on average. As a significant component of this cost category, the District spent about \$20 per pupil, or \$19,000, more for school-level secretarial support than the comparable districts averaged.

Table 2: Comparison of Per-Pupil Administrative Costs
District-level and School-level
Fiscal Year 2004
(Unaudited)

District Name	District-level Administrative Costs	School-level Administrative Costs	Total Administrative Costs
Tombstone USD	\$432	\$423	\$855
Thatcher USD	412	441	853
Bisbee USD	408	443	851
Miami USD	443	379	822
Benson USD	431	302	733
St. Johns USD	337	393	730
Average of the comparable districts	\$411	\$388	\$799
Difference between Bisbee USD and the comparable district average	-\$ 3	\$ 55	\$ 52

Source: Auditor General staff analysis of district-reported fiscal year 2004 accounting data and average daily membership information obtained from the Arizona Department of Education.

These higher school-level costs relate to having more schools, with a smaller average number of students per school, than similarly sized districts. As shown in Table 3, the District operated four schools while the three comparable districts closest to Bisbee Unified's number of students operated only three schools. Additional schools result in more administrative costs, such as having more school secretaries and support costs. As discussed further in Chapter 4, Plant Operation and Maintenance, the District's schools are operating well below design capacity.

Table 3: Comparison of Number of Schools and Students
Fiscal Year 2004
(Unaudited)

District Name	Number of		Students Per School
	Students	Schools	
St. Johns USD	1,023	3	341
Benson USD	964	3	321
Tombstone USD	923	3	308
Miami USD	1,111	4	278
Thatcher USD	1,108	4	277
Bisbee USD	964	4	241
Average of the comparable districts	1,026	3	305

Source: Auditor General staff analysis of districts' fiscal year 2004 average daily membership counts obtained from the Arizona Department of Education and number of schools information obtained from the Arizona School Facilities Board.

The District did not maintain adequate controls over its accounting system and nonpayroll expenditures

Inadequate controls over accounting system—The District has not established proper user security to protect the integrity of its accounting system. Specifically, three accounting system users were given access to all accounting system modules, including the ability to add new vendors, record vendor invoices, and print checks. Allowing an individual the ability to initiate and complete a transaction without an independent review and approval exposes the District to increased risk of errors, fraud, and misuse of sensitive information, such as processing false invoices or adding nonexistent vendors.

Inadequate accounts payable procedures—The District did not have procedures in place to ensure the propriety of its expenditures. Auditors noted two problems. First, authorization and recordkeeping responsibilities were not separated among employees. Specifically, some employees had the ability to approve purchases and record the related expenditures in the accounting records. Second, purchase orders and requisitions were not always approved. Without proper review and approval procedures, the District cannot ensure it is paying only for appropriate purchases of goods or services.

Recommendations

1. The District should review its school-level administrative costs to determine if they can be reduced.
2. The District should implement proper access controls over its accounting system so that individual employees do not have the ability to initiate and complete a transaction without an independent review and approval.
3. The District should improve its purchasing and accounts payable procedures to ensure that purchases are reviewed and approved by an authorized supervisor prior to being made. In addition, the independent review and approval should be performed by an employee who does not also maintain the accounting records.

CHAPTER 2

Food service

The District's food service program is self-supporting. However, the program's overall costs are high, with the District spending 5.3 percent of its current dollars to operate its food service program, while the state average was 4.7 percent. This higher spending contributes to the District's lower-than-average classroom dollar percentage. The District's food service cost per student was 26 percent higher than the comparable districts' average primarily because it served more meals per student. Additionally, its cost per meal was significantly higher than the average cost per meal calculated in prior performance audits. Lastly, the District can make greater use of performance measures and reporting to manage its food service program and lower its meal costs.

Background

During fiscal year 2004, the District operated four school cafeterias, with one serving as the central kitchen and warehouse to receive and transport food and supplies to other school cafeterias. The food service program operated with a total of ten part-time and five full-time employees, including a food service manager.

The District participates in the National School Lunch and Breakfast programs, and approximately 68 percent of its students are eligible to receive free or reduced-price meals. As shown by the Auditor General's special study, *Arizona's Participation in the National School Lunch Program*, a greater proportion of students who are eligible for free or reduced-price meals typically eat school lunches. Consistent with this general finding, the District produced more meals than the comparable districts with lower eligibility rates.

Food Service Facts for Fiscal Year 2004

Average cost per meal*	\$2.29
Number of meals served:	
Breakfast	26,310
Lunch	112,749
A la carte	<u>18,827</u>
Total	<u>157,886</u>
Kitchens/cafeterias	4
Number of staff**	6.9
Total revenues	\$380,904
Total noncapital expenditures	360,392
Total equipment purchases	0
Percentage of students eligible for free and reduced lunches	68%

* Based on lunch-equivalent meals.

** Full-time equivalents (FTE).

Food service program has higher costs than comparison districts

With most of its revenues coming from the National School Lunch Program, the District's food service program was self-supporting. In fiscal year 2004, its revenues of \$380,904 exceeded its expenditures of \$360,392. Although self-supporting, the District had high food service costs. While the District had a slightly lower cost per meal than comparable districts, it spent more per pupil because it served more meals per student. Additional analyses show that the District may be able to further reduce its cost per meal. This is important because, as shown in Chapter 6, Bisbee Unified spent a higher percentage of its current dollars on the food service program than other Arizona districts, on average. This in turn contributed to its lower-than-average classroom dollar percentage.

Cost per student higher due to more meals served—As Table 4 shows, the District's \$374 cost per pupil was \$76 higher than the comparable districts' average. These higher costs per student, at least in part, are because the District served significantly more meals per student than the comparable districts. Bisbee Unified served 164 meals per student while the comparable districts served 121 meals per student, on average.

Table 4: Comparison of Meals Per Student and Cost Per Student
Fiscal Year 2004
(Unaudited)

District Name	Free and Reduced Percentage	Meals Per Student	Cost Per Student	Total Cost
St. Johns USD	56%	164	\$386	\$395,216
Bisbee USD	68	164	374	360,392
Miami USD	61	149	337	374,319
Tombstone USD	58	125	280	258,279
Benson USD	37	84	246	237,281
Thatcher USD	37	85	241	267,460
Average of the comparable districts		121	\$298	\$306,511

Source: Auditor General staff analysis of district-reported fiscal year 2004 accounting data and average daily membership information obtained from the Arizona Department of Education.

Cost per meal lower than comparable districts' average, but still high—As Table 5 on page 11 shows, the District's \$2.29 cost per meal was lower than the \$2.52 average of its comparison group. However, based on previous school district performance audits of similarly sized school districts for fiscal year 2004, meal costs for this group are high. By contrast, the school districts included in previous performance audits averaged

only \$2.04 per meal, or \$0.25 per meal less than Bisbee Unified. Therefore, in evaluating ways to reduce its nonclassroom costs, the District may be able to reduce its food service costs. For example, as previously discussed in Chapter 1, Bisbee Unified operates one more school than most of the comparison districts, and therefore operates an additional cafeteria. Reducing the number of cafeterias it operates may represent one way that the District can reduce its costs per meal.

Table 5: Comparison of Cost Per Meal
Fiscal Year 2004
(Unaudited)

District Name	Salaries and Benefits	Food and Supplies	Other	Cost Per Meal
Benson USD	\$1.99	\$0.84	\$0.10	\$2.93
Thatcher USD	1.63	1.20	0.01	2.84
St. Johns USD	0.97	1.32	0.06	2.35
Bisbee USD	1.15	1.12	0.02	2.29
Miami USD	0.99	1.05	0.22	2.26
Tombstone USD	1.17	1.00	0.07	2.24
Average of the comparable districts	\$1.35	\$1.08	\$0.09	\$2.52
Average for similarly sized districts included in previous performance audits	\$0.96	\$0.93	\$0.15	\$2.04

Source: Auditor General staff analysis of district-reported fiscal year 2004 accounting data and data provided by the individual school districts.

Greater use of performance measures could help monitor and reduce costs—The District’s ability to assess the efficiency of its program is hindered by the absence of program performance measures. The District did not collect and calculate common food service performance measures, such as cost per meal or meals per labor hour. Calculating and monitoring performance measures can help the District identify potential issues, such as whether it has the correct number of staff and whether its food service costs are appropriate. Without such measures, the District is unable to compare food service operations between its various sites or to other, similar school districts to evaluate program efficiency.

Inventory controls should be strengthened—Auditors also identified a problem related to control of cash collections within the program. The District does not count the items on the a la carte racks at the high school before and after the lunch period. Therefore, the District cannot accurately determine the number of items actually sold to ensure all cash collections are deposited. To verify cash collections, someone other than the cashiers should be responsible for comparing the inventory of a la carte items to the related cash sales.

Recommendations

1. To help identify potential cost reductions and keep the program self-supporting, the District should develop and monitor performance measures, such as cost per meal and meals per labor hour, and compare them with similar districts'.
2. The District should more accurately determine the number of a la carte items sold, such as counting items on the racks before and after each lunch period, to ensure that cash sales have been accounted for properly.

CHAPTER 3

Student transportation

Although the District's student transportation costs are in-line with comparable districts' costs, opportunities exist to reduce these costs further by making bus routes more efficient. Opportunities for improved program monitoring also exist. While the District maintained adequate records to support mileage reported for obtaining state funding and maintained complete records for tracking drivers' training and drug tests, its documentation of bus maintenance, repair, and inspection is not adequate to meet state requirements or to make informed decisions about maintenance, repair, and replacement. The District's management of the program would also benefit from keeping and monitoring various performance measures, such as bus capacity. The District currently does not collect and maintain the data needed to adequately monitor program operations.

Background

During fiscal year 2004, the District transported 589 of its 964 students to and from its 4 schools. In addition to regular student transportation, the District provided transportation for field trips, athletic events, and additional afternoon routes for students participating in after-school activities.

Student transportation costs were average, but the program needs some improvements

While the District's student transportation costs were average, its reported mileage supported, and its driver files complete, the program needs some improvements. The District's bus routes were inefficient, its bus files lacked maintenance and inspection information, and performance measures were not established and monitored.

Transportation Facts for Fiscal Year 2004

Riders	589
Bus Drivers*	8
Mechanic	1
Average daily route miles	722
Total miles	179,209
Total noncapital expenditures	\$346,105

* Full-time equivalents (FTE).

Costs were average—Auditors compared the District’s fiscal year 2004 costs to five other districts with a similar number of schools, students, route miles, and riders.¹ As illustrated in Table 6, the District’s cost per rider was 18 percent higher than the average for the comparable districts, while its cost per mile was 9 percent lower. These differences between higher per-rider costs and lower per-mile costs appear to be partly the result of traveling 24 percent more miles per rider, on average. Based on a review of preliminary fiscal year 2005 data, the District’s transportation costs continue to be average in comparison to these other districts.

Table 6: Students Transported, Route Mileage, and Costs
Fiscal Year 2004
(Unaudited)

District Name	Total Riders	Total Route Miles	Total Noncapital Expenditures	Cost Per Rider	Cost Per Mile
Benson USD	488	146,595	\$316,955	\$649	\$2.16
San Carlos USD	1,065	246,389	663,724	623	2.69
Bisbee USD	589	179,209	346,105	588	1.93
Tombstone USD	699	240,499	322,885	462	1.34
Miami USD	534	115,232	213,178	399	1.85
Thatcher USD	729	100,920	261,710	359	2.59
Average of the comparable districts	703	169,927	\$355,690	\$498	\$2.13

Source: Auditor General staff analysis of Arizona Department of Education fiscal year 2004 district mileage reports and district-reported fiscal year 2004 accounting data.

District routes were inefficient—Although costs are similar to other districts’, the District can still find ways to operate more efficiently. Auditors identified three separate indicators that the District’s routes were inefficient. First, for those routes that auditors could identify in the bus logs,² the bus capacity utilization rate averaged only 54 percent. Districts with efficient bus routing will typically operate routes at 75 percent or more of bus capacity. Second, the District had a lower-than-average number of riders per driver. As shown in Table 7 (see page 15), the District’s drivers drove, on average, a similar number of miles as the comparable districts averaged, but transported fewer riders. Third, the District showed a substantial increase in miles driven between fiscal years 2003 and 2004 without a comparable increase in riders. The District’s reported mileage for fiscal year 2004 was 47 percent higher than the prior year. Despite the 57,541 additional miles, however, only 6 additional riders were transported. District officials stated that some of the additional miles were due to

¹ Four of the five districts were the same as the comparison group used for administrative, food service, and plant operations costs. For the transportation program, auditors substituted the San Carlos Unified School District for the St. Johns Unified School District because auditors were unable to verify transportation data for the St. Johns Unified School District.

² The District did not maintain documentation of its routes, such as route maps and a listing of scheduled stops, and most bus logs include multiple routes that are indistinguishable. Therefore, auditors calculated the District’s bus capacity based on 7 identifiable routes out of a district-reported 26 routes.

poorly managed bus routing that resulted in buses being sent out to pick up students missed by an earlier bus run.

Because the District did not maintain route documentation, auditors were unable to determine the route effectiveness for all of the District's 26 reported routes. More importantly, better route documentation, such as route maps and time schedules, would help the District evaluate whether all of its routes were being operated efficiently. With more efficient routes and increased use of its bus capacities, the District might be able to drive fewer miles and reduce costs. Maintaining the necessary route documentation would also enable the District to review considerations such as the amount of time students spend on the bus.

Table 7: Transportation Program Staffing Level Comparison
Fiscal Year 2004
(Unaudited)

District Name	Drivers ¹	Total Riders	Total Route Miles	Riders Per Driver	Miles Per Driver
Thatcher USD	5.0	729	100,920	146	20,184
Tombstone USD	6.3	699	240,499	111	38,174
San Carlos USD	12.8	1,065	246,389	83	19,249
Bisbee USD	8.0	589	179,209	74	22,401
Benson USD	7.0	488	146,595	70	20,942
Miami USD	8.0	534	115,232	67	14,404
Average of the comparable districts	7.8	703	169,927	95	22,591

¹ The number of drivers shown is based on a "full-time equivalent" calculation. For example, a driver working half-time would be counted as a 0.5 full-time equivalent.

Source: Auditor General staff analysis of Arizona Department of Education fiscal year 2004 district mileage reports and School District Employee Records.

Maintenance and inspection recordkeeping can be improved

Although some of the District's transportation records were accurate and well maintained, others were not.

Bus logs showed reported mileage and driver files were complete—

The District maintained adequate records to support its reported route mileage. Doing so is important because state funding for a school district's transportation program is based on the number of route miles reported to the Arizona Department of Education for the previous school year. The District tracked its route miles by requiring bus drivers to record the beginning and ending odometer readings for each bus trip. The District's reported route mileage was accurate based on these bus logs.

Similarly, auditors found that driver files were complete. The District keeps well-organized driver files and monitors them to ensure that its drivers are receiving the required training and annual and random drug screenings.

Bus files lacked maintenance and inspection information—By contrast, information about bus maintenance and inspections did not meet basic standards established by the State. The Department of Public Safety establishes the *Minimum Standards for School Buses and School Bus Drivers*, which are the guidelines and requirements school transportation programs must follow. *The Minimum Standards* require that certain information must be accurately maintained for each bus. However, the District did not retain sufficient documentation on maintenance, repair, or inspection of its buses. Besides noncompliance, the District cannot make informed decisions on vehicle maintenance, repair, or replacement without this information.

To help ensure the safe operation of its transportation program, the District should ensure that the *Minimum Standards* are met. Further, the lack of complete and organized records hinders the District from making well-informed decisions.

Performance measures were not established and monitored

The District did not establish and monitor performance measures for the transportation program. Measures such as cost per mile and cost per rider can help the District identify areas for improvement. Further, the District did not collect and maintain the data necessary to adequately monitor program operations. Monitoring data on driver productivity and bus capacity utilization rates can help identify route segments with low ridership, segments that may be effectively combined, or buses that are overcrowded. Without such data and performance measures, the District is unable to evaluate the efficiency of its program and to proactively identify operational issues that may need to be addressed.

Recommendations

1. The District should maintain documentation of all bus routes and review them periodically to evaluate whether they are as efficient as possible, taking into account the amount of time students spend on the bus and the percentage of bus capacity used.
2. The District should keep complete bus maintenance and inspection files. This information will aid in making decisions on when to maintain, repair, or replace buses and to ensure that the program is meeting the *Minimum Standards*.
3. To aid in evaluating the costs and efficiency of its transportation program, the District should develop and monitor performance measures, including cost per mile, cost per rider, driver productivity, bus capacity utilization, and ride times.

CHAPTER 4

Plant operation and maintenance

In fiscal year 2004, Bisbee Unified spent 13.9 percent of its current dollars on plant operation and maintenance. By contrast, in the same year, Arizona districts spent an average of 11.7 percent of their current dollars on plant costs, comparable districts spent 13.1 percent, and the national average was 9.7 percent.¹ Further, the District's plant costs per square-foot and per student were higher than comparable districts'. These higher costs are due in part to the District operating its schools considerably below capacity, operating more schools with more building space per student, and using more water than comparable districts, on average. The District currently has many unused classrooms and other space in three of its four schools. These rooms currently hold, among other things, outdated records, excess inventory, and museum antiques. The District's high operation and maintenance costs reduce the dollars available to be spent in the classroom.

What are plant operation and maintenance costs?

Salaries, benefits, and other costs for heating and cooling, equipment repair, groundskeeping, and security.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

Plant costs were higher than comparable districts'

As shown in Table 8 (see page 18), Bisbee Unified had higher per-square-foot and per-pupil costs than the averages for five comparable districts. As a result, the District spent 13.9 percent of its current dollars on plant costs, while the comparable districts spent 13.1 percent and the state average was 11.7 percent. Based on a review of preliminary fiscal year 2005 data, the District's plant costs continue to be higher than these other districts', on average.

The District's higher costs were partly due to operating schools below their capacities, operating more schools with more building space per student than the comparable districts, and using more water than comparable districts, on average.

¹ Current expenditures are those incurred for the District's day-to-day operation. They exclude costs associated with repaying debt, capital outlays (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

Table 8: Plant Costs and Square Footage Comparison
Fiscal Year 2004
(Unaudited)

District Name	Plant Costs			Square Footage Per Student	Total Gross Square Footage
	Total	Per Student	Per Square Foot		
St. Johns USD	\$1,117,769	\$1,093	\$3.89	281	287,645
Benson USD	1,020,982	1,059	5.52	192	185,089
Bisbee USD	943,663	979	4.11	238	229,341
Miami USD	1,078,628	971	3.97	244	271,454
Thatcher USD	785,505	709	2.88	246	272,619
Tombstone USD	478,808	519	2.92	178	163,905
Average of the comparable districts	\$896,338	\$870	\$3.84	228	236,142

Source: Auditor General staff analysis of district-reported fiscal year 2004 accounting data, average daily membership information obtained from the Arizona Department of Education, and gross square footage information obtained from the Arizona School Facilities Board.

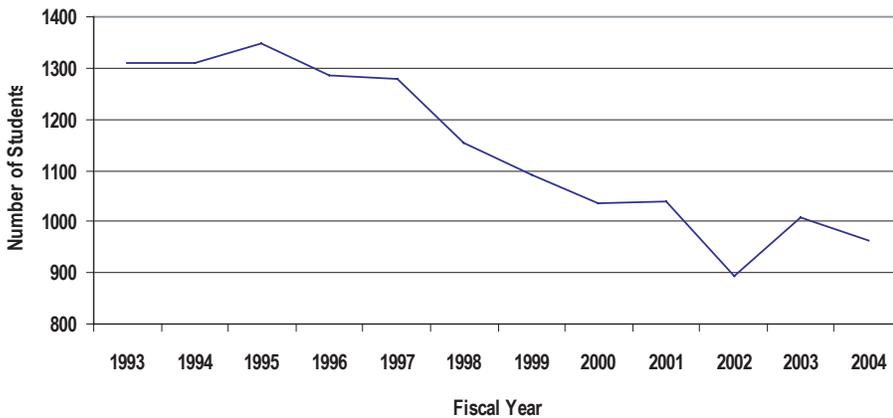
District's schools operate below capacity—One reason that plant operation and maintenance costs are high is that the District's schools are operating at considerably less than their designed capacities. For example, according to district

officials, the high school was designed for 1,000 students. Yet, in fiscal year 2004, the District had only about 385 high school students and only about 960 students in total. As a result, three of the District's four schools had a considerable amount of unused space. For example, the second floor of the junior high school was not used for instructional purposes, and the eight classrooms on this floor were either empty or used for storage. In addition, the District's high school had at least nine classrooms that were not in use.

As shown in Figure 1, the District's enrollment has been declining over the last decade. However, despite declining enrollment, the District chose to re-open a school that was being used for administrative offices

and storage. According to district officials, the community wanted fourth- through sixth-grade students separated from seventh- and eighth-grade students.

Figure 1: Number of Students
Fiscal Years 1993–2004 ¹
(Unaudited)



¹ The increase between fiscal years 2002 and 2003 is due to the inclusion of tuitioned-in students who were not included in the amounts shown for fiscal years 1993-2002.

Source: Auditor General staff analysis of average daily membership information obtained from the Arizona Department of Education.

District operated more schools and maintained more building space per student—As described earlier in Chapter 1, during fiscal year 2004 the District operated 4 schools with an average of 241 students per school, while the comparison districts averaged 3 schools with 305 students each.

As shown in Table 8 on page 18, the District operated and maintained 238 square feet per student. This was slightly more than the comparable districts’ average and significantly more than the state minimum standards of 80 to 125 square feet per student. As shown in Table 9, each of the District’s schools had significantly more square footage than the state minimum requirements for their grade levels. The elementary and high schools were both more than two times the minimum standards, and the junior high school was more than three times its minimum.

**Table 9: Per-Pupil Square Footage Comparison
Fiscal Year 2004
(Unaudited)**

Grade Level	Per-Pupil Square Footage	
	State Minimum Requirements	Bisbee USD
Elementary	80	195
Middle	80	101
Junior High	84	278
High School	125	316

Source: Auditor General staff analysis of the District’s fiscal year 2004 average daily membership counts, the Arizona School Facilities Board building reports for the District, and Arizona Revised Statutes §15-2011.

Water and sewage costs were three times higher—Another reason for the District’s high costs is water and sewage expenses, which were over three times higher than the comparable districts’. The District spent \$96 per pupil for water and sewage, which was \$65 higher than the comparable districts’ average of \$31. In addition, its \$0.40 per-square-foot water and sewage costs were also three times higher than the comparable districts’ \$0.13 average.

These higher costs are the result of more usage, not higher rates. On average, the District used approximately 947,000 gallons of water per month, while the comparable districts averaged 290,000 gallons. District officials thought the higher usage could be because it has more sports fields to maintain; however, auditors determined that Bisbee Unified did not have more fields than the comparable districts.

By monitoring and better managing its water and sewage costs, the District could bring these costs down closer to the comparable districts’ average and potentially move monies into the classroom.

Other facility-related issues

Besides its high costs, the District also had other facility-related issues. First, the District stored unnecessary items such as outdated records, excess inventory, and museum antiques in its unused classrooms and hallways. Additionally, the District’s buildings were not always well maintained.

District stored unnecessary items—Much of the District's extra square footage was used for storing unnecessary items. For example, many of the additional classrooms were used to store outdated district records, excess inventory, and antiques from the Bisbee Museum.

- **Records**—Auditors noted that the District has stored its financial records dating back over 20 years and student records dating back to 1915. Maintaining these records for such an extended period of time is in violation of the Records Retention and Disposition Schedule prescribed by the State Library and Archives and outlined in the *Uniform System of Financial Records for Arizona School Districts*. Arizona Revised Statutes §41-1351 requires districts to dispose of records as specified by the State Library and Archives. In general, the Records Retention Schedule requires many of these records to be disposed of after 3 years. Further, some of these records contain confidential and sensitive information, and keeping them leaves the District responsible for their security.



Paper stored in school hallway.
Source: Photo taken by Auditor General staff.

- **Inventory**—The District also stores excess paper, toilet paper, furniture, cleaning supplies, light bulbs, and office supplies in unused classrooms and hallways. For example, auditors counted over 1,400 boxes of copier paper lining the hallway of the unused wing in this photo. The District does not maintain inventory records for these items, which leaves them susceptible to theft. In addition, some of the items, such as light bulbs, were damaged because of the manner in which they were stored.



Antiques stored in unused classroom.
Source: Photo taken by Auditor General staff.

- **Antiques**—The District stores antiques for the Bisbee Museum in two of its junior high classrooms. However, the District does not maintain inventory records of these items or charge the museum a fee for use of this space. Storing these items may put the District at financial risk if the items are damaged or stolen. Further, by law, school districts are required to charge a fee for use of school facilities by organizations other than those exempted in statute or by the governing board. Since the District's Governing Board did not approve an exemption, the museum should have been charged a usage fee according to the District's fee schedule.

District buildings were not always well maintained—In addition to having excess space, many of the District's buildings require continual maintenance. The District's four schools were built in 1917, 1931, 1958, and 1963. District officials stated that maintaining older facilities is difficult due to their age and condition. While the District has made some recent repairs and improvements to its buildings, additional work is needed. For example, auditors observed significant water damage at the junior high gymnasium, damaged supplies and equipment, and a damaged ceiling in a classroom at the elementary school. At the time of the audit, the District had 26 open maintenance orders. District officials commented that it was common to have 25 to 40 work orders open at any given time and that the District did not have enough employees to handle all the work. By operating fewer buildings, the District could likely maintain its schools in better condition.

Recommendations

1. The District should review ways to reduce excess building space and determine methods to offset the costs of maintaining any remaining excess space, such as renting out unused facilities.
2. The District should review ways to reduce its high water and sewage costs to bring costs more in line with comparable districts'.
3. The District should dispose of damaged, outdated, and unnecessary inventory items and records. Further, it should stop storing nondistrict property on its campuses or charge a fee for this use of school facilities.

CHAPTER 5

Proposition 301 monies

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. The District's plan for spending its Proposition 301 monies was complete, addressing how its base pay, performance pay, and menu option monies were to be spent. In addition, the District spent its Proposition 301 monies for purposes authorized under statute and in accordance with the board-approved plan.

Background

In approving Proposition 301, voters increased the state-wide sales tax by six-tenths of 1 percent for 20 years. Under statute, after allocations for ten state-wide programs, such as school facilities revenue bonds and university technology and research initiatives, the remainder of the revenue goes to the Classroom Site Fund. These monies may be spent only in specific proportions for three main purposes: teacher base pay increases, teacher performance pay, and certain menu options such as reducing class size, providing dropout prevention programs, and making additional increases in teacher pay.

During fiscal year 2004, the District received a total of \$292,196 in Proposition 301 monies and distributed \$272,580 to employees. Unspent Proposition 301 monies remain in the District's Classroom Site Fund for future years.

District's Proposition 301 Plan

The District identified its teachers, counselor, and librarian as eligible to receive Proposition 301 monies.

Base Pay—The teachers, counselor, and librarian were eligible to receive base pay increases. Each eligible full-time employee received a base pay increase of \$1,090 plus related benefits, paid in four equal installments. Part-time employees received payments on a prorated basis.

Performance Pay—The teachers and counselor were eligible for performance pay increases and each full-time eligible employee meeting all performance requirements received \$1,319. The District's performance pay plan included the following components:

- **Student academic growth (25 percent of performance pay)**—Eligible employees at each school that developed and met three site goals related to improved student achievement qualified for this portion of performance pay. The goals had to include the student population that was targeted for improvement, the increase or gain expected, the standard of measurement, and the method of accomplishment.
- **Teacher-parent communication (25 percent of performance pay)**—Eligible employees qualified for this portion of performance pay if they maintained a parent contact log and made at least 50 parent contacts prior to December 2003. Twenty-five of these contacts had to be personal, positive, one-to-one contacts made prior to October 10, 2003. The other 25 contacts could include phone calls, personal notes, e-mails, conferences, and parent letters. Contacts with parents through regularly scheduled parent/teacher conferences, progress reports, report cards, and open houses were not eligible to be counted in meeting this requirement.
- **School improvement plan (50 percent of performance pay)**—Staff at each school developed a school improvement plan aimed at improving student achievement, and an administrative team developed a *Proposition 301 Classroom Observation Checklist* for the principals and the superintendent to evaluate teachers.
 - 60 percent of this amount was paid to teachers whose principals documented that they had implemented strategies to help achieve the school's improvement plan.
 - 40 percent of this amount was paid to teachers who demonstrated to the superintendent during monthly classroom visits that they had implemented required strategies.

Menu options—Statute allows school districts to choose among six options for allocating the menu option monies, including:

- AIMS intervention programs
- Class size reduction
- Dropout prevention programs
- Teacher compensation increases
- Teacher development
- Teacher liability insurance premiums

The District chose to use its menu option monies for teacher compensation. Eligible employees were paid for participating in additional in-service training and professional development programs associated with improving student performance. Eligible employees attending at least 45 hours of training received the full amount of compensation, while those attending fewer than 45 hours were compensated on a prorated basis. Each eligible full-time employee received \$1,737 plus related benefits.

CHAPTER 6

Classroom dollars

A.R.S. §41-1279.03(A)(9) requires the Auditor General to determine the percentage of every dollar Arizona school districts spend in the classroom. Because of this requirement, auditors reviewed the District's recording of classroom and other expenditures to determine their accuracy. After correcting for accounting errors, the District's classroom dollar percentage decreased from a previously reported 54.1 percent to 52.5 percent, which is 6.1 points below the state-wide average. Even with this lower percentage, the District's per-pupil spending in the classroom was similar to the state average because it had more per-pupil resources available. These additional resources came primarily from federal programs, such as Title I aid for disadvantaged children, and from local tax revenues for higher utility costs. However, the District should continue to look for ways to increase its classroom dollar percentage.

The District did not accurately report its fiscal year 2004 costs

The District did not consistently classify its expenditures in accordance with the Uniform Chart of Accounts for school districts. As a result, its annual financial report did not accurately reflect its costs, including both instructional and nonclassroom expenditures. For example:

- Special education services such as occupational therapy, speech therapy, counseling, and psychological assessments were classified as instruction. Instead, the approximately \$50,700 associated with these services should have been recorded as student support costs.
- Salary and benefit costs for the District's athletic director were classified as instruction rather than administration. Additionally, extra-duty pay for a few support employees and Proposition 301 monies for a counselor and a librarian

were recorded as instruction instead of student or instructional support, as appropriate. These errors totaled approximately \$28,200.

- Approximately \$20,000 spent for repair and maintenance of office equipment was classified as instruction rather than plant operation and maintenance.
- Salaries and benefits for several employees, such as a department chair, mail carriers, and employees who participated on the Superintendent's Advisory Committee, were incorrectly classified as student support, instructional support, or in other areas. Instead, the \$14,200 associated with these positions should have been classified as administration.

Adjusting for these and other errors decreased the District's instructional expenditures by approximately \$105,000 and increased its administrative expenditures by approximately \$27,000.¹ As shown in Table 10, the District's corrected classroom dollar percentage of 52.5 percent is 4.2 points lower than the comparable districts' average and 6.1 points lower than the state average for the same year.

While the District spent a similar amount per student in the classroom, its classroom dollar percentage was much lower

Although the District's classroom dollar percentage is below the average of the comparable districts and the state average for fiscal year 2004, the District spent a similar dollar amount per student in the classroom. The District spent \$3,705 per pupil in the classroom, which was similar to the comparable districts' and state averages. This could happen because Bisbee Unified spent more per pupil in total. The District spent \$7,055 per pupil, which was higher than the comparable districts' and the state-wide averages.

As shown in Table 10 (see page 29), Bisbee Unified spent more per student than the comparable districts averaged in all identified noninstructional areas. These higher expenditures were reflected in earlier chapters of this report dealing with administration, food service, transportation, and plant operation and maintenance.

The District was able to spend more total dollars per pupil than the comparison districts because it received more revenues from federal grants and for excess utilities.

¹ The tables in Chapter 1, Administration, reflect the corrected administrative costs after these adjustments.

Table 10: Comparison of Expenditure Percentages and Per-Pupil Expenditures by Function
Fiscal Year 2004
(Unaudited)

	Bisbee Unified		Comparable Districts' Average		State Average		National Average 2001	
	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures
Total Per-Pupil Spending		\$7,055		\$6,612		\$6,355		\$7,376
Classroom dollars	52.5%	\$3,705	56.7%	\$3,749	58.6%	\$3,722	61.5%	\$4,539
Nonclassroom dollars								
Administration	12.1	851	12.2	799	9.5	602	10.9	806
Plant operations	13.9	979	13.1	870	11.7	747	9.7	719
Food service	5.3	374	4.5	298	4.7	300	4.0	293
Transportation	5.1	359	4.4	295	4.0	254	4.1	298
Student support	7.5	529	6.2	412	7.0	443	5.0	368
Instructional support	3.6	258	2.8	182	4.3	276	4.6	337
Other	0.0	0	0.1	7	0.2	11	0.2	16

Source: Auditor General staff analysis of fiscal year 2004 School District Annual Financial Reports provided by the Arizona Department of Education, summary accounting data provided by individual school districts, and National Center for Education Statistics data from the *Digest of Education Statistics 2003*.

- **Federal Programs**—The District spent \$787 per pupil for federal programs, while the comparable districts averaged \$543. The District’s largest sources of federal monies included Title I (Helping Disadvantaged Children), Title II (Eisenhower Professional Development), and IDEA (Individuals with Disabilities Education Act).
- **Excess Utilities**—A state budget provision for excess utilities allows a school district to increase its budget for utility costs in excess of a base year amount, adjusted for inflation. The District budgeted \$211 per pupil for excess utilities’ costs, \$141 per pupil more than the comparable districts averaged.

Recommendations

1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.
2. The District should closely analyze its spending in noninstructional areas to determine if savings can be achieved and whether some of those monies can be redirected to the classroom.

DISTRICT RESPONSE

BISBEE UNIFIED SCHOOL DISTRICT #2

100 Old Douglas Road
Bisbee, AZ 85603



April 4, 2006

District

Superintendent,
Mr. McDonald
NCLB Director,
Mrs. Goldsmith
Business Manager,
Mrs. Taylor
(520) 432-5381
(520) 432-7622 - Fax

Bisbee High School

Principal, Mr. Creviston
Dean, Mr. Giacoletti
(520) 432-5714
(520) 432-6105 - Fax

Lowell School

Principal, Mrs. Romo
(520) 432-5391
(520) 432-6106 - Fax

Bisbee Middle School

Principal, Mr. May
(520) 432-6100
(520) 432-6139 - Fax

Greenway School

Principal, Mr. Taylor
(520) 432-4361
(520) 432-6121 - Fax

Special Education

Coordinator, Mrs. Dever
(520) 432-5381
(520) 432-7622 - Fax

Facilities/Transportation

Manager, Mr. Kemery
(520) 432-6112

Food Service

Manager, Mrs. Leiendecker
(520) 432-5714

Technology

Coordinator, Mr. Jarboe
(520) 432-5381

State of Arizona Office of the Auditor General
Debbie Davenport, Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

This letter is to serve as a preliminary response to our audit report completed in March 2006 on the District's fiscal year 2004.

Bisbee Unified School District #2 appreciates the opportunity to have the Auditor General's staff visit our school district. It has provided another view of the way in which we spend our education dollars. We appreciate the opportunity to respond because we believe we have some unique qualities we would like to acknowledge. We thoroughly enjoyed having the Auditor General's staff in the district; they provided us with a great deal of information with which to make BUSD a better district. Listed below are comments relating to each chapter and responses to each recommendation:

Chapter 1: Administration

Recommendations:

1. The District should review its school-level administrative costs to determine if they can be reduced.

District Response: The District agrees with the finding and will engage in dialog regarding this finding.

2. The District should implement proper access controls over its accounting system so that individual employees do not have the ability to initiate and complete a transaction without an independent review and approval.

District Response: The District agrees with the finding and has implemented the recommendation.

Controls have been set in the District's accounting software allowing only the Business Manager to enter Vendors. All expense and payroll vouchers are thoroughly reviewed and approved by the Business Manager before they are transmitted to the County School Office for processing.

3. The District should improve its purchasing and accounts payable procedures to ensure that purchases are reviewed and approved by an authorized supervisor prior to being made. In addition, the independent review and approval should be preformed by an employee who does not also maintain the accounting records.

District Response: The District agrees with the finding and has implemented the recommendation.

Requisitions are first approved by Building Supervisors in regards to the appropriateness of the purchase. They are then co-signed by the Business Manager to insure budget capacity and procurement mandates. All expense vouchers are thoroughly reviewed and approved by the Business Manager before they are transmitted to the County School Office for processing.

Chapter 2: Food Service

Recommendations:

1. To help identify potential cost reductions and keep the program self-supporting the District should develop and monitor performance measures, such as cost per meal and meals per labor hour, and compare them with similar districts.

District Response: The District agrees with the finding and will implement the recommendation.

The District has contracted Linda Rider and Rich Crandall with CNResource to help implement these and a Wellness Policy for our district. Their first visit will be April 24, 2006.

2. The District should more accurately determine the number of a la carte items sold, such as counting items on the racks before and after each lunch period, to ensure that cash sales have been accounted for properly.

District Response: The District agrees with the finding and has implemented the recommendation.

During the 2004-2005 a new Food Service Manager was hired and under her direction, a daily count of all a la carte items was implemented. This is currently being done throughout the district where a la carte items are sold.

Chapter 3: Student Transportation

Recommendations:

1. The District should maintain documentation of all bus routes and review them periodically to evaluate whether they are as efficient as possible, taking into account the amount of time students spend on the bus and the percentage of bus capacity used.
2. The District should keep complete bus maintenance and inspection files. This information will aid in making decisions on when to maintain, repair, or replace buses and to ensure that the program is meeting the minimum standards.
3. To aid in evaluating the costs and efficiency of its transportation program, the District should develop and monitor performance measures, including cost per mile, cost per rider, driver productivity, bus capacity utilization, and ride times.

District Response: The District agrees with the finding and has implemented most of the recommendations during the 2004-2005 school year. However, the District will continue to monitor and implement the remaining recommendations, as soon as possible.

During the FY 2004-2005 a new Transportation Manager was hired. To assist the manager a computerized software program was implemented with necessary training allowing for complete use during the 2004-2005 school year. This program has assisted the District in creating routes where students spend as little time on the bus as possible and analyzing bus capacity to ensure utilization of each bus is maximized.

Chapter 4: Plant Operation and Maintenance

Recommendations:

1. The District should review ways to reduce excess building space and determine methods to offset the costs of maintaining any remaining excess space, such as renting out unused facilities.

District Response: The District agrees with the finding and will implement the recommendation.

The Governing Board and community will engage in a dialog regarding this issue and bring forward possible ways of using excess space. During this dialog the possibility of closing one school will be discussed and considered.

2. The District should review ways to reduce its high water and sewage costs to bring them more in line with comparable districts.

District Response: The District agrees with the finding and will implement the recommendation.

The District is in the process of researching this finding. It is believed that water rates in the Bisbee area are much higher than other areas of Arizona. The District is also in the process of installing a water timing system to reduce excessive watering.

3. The District should dispose of damaged, outdated, and unnecessary inventory items and records. Further, it should stop storing non-district property on its campuses or charge a fee for this use of school facilities.

District Response: The District agrees with the finding and has implemented the recommendation.

The District is in the process of implementing this recommendation. To date, we have removed all non-district property from all campuses and have begun disposing of unnecessary outdated records.

Chapter 5: Proposition 301 Monies

Recommendations

The District's plan for spending its Proposition 301 monies was complete, addressing how its base pay, performance pay, and menu option monies were to be spent.

District Response: The District agrees with the finding and has NO recommendations to implement. The District is very pleased with this finding.

Chapter 6: Classroom Dollars

Recommendations

1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

District Response: The District agrees with the finding and has implemented the recommendation.

The District has and will continue to attend trainings provided by groups such as AASBO and the audit firm of Heinfeld & Meech to be aware of the latest interpretations of coding within the Chart of Accounts.

2. The District should closely analyze its spending in non-instructional areas to determine if savings can be achieved and whether some of those monies can be redirected to the classroom.

District Response: The District agrees with the finding and has implemented the recommendation.

The District will continue to try to direct more of its spending into the classroom. Unfortunately, a large portion of the district's expense must support areas such as special education-required purchased services, food service, transportation, and utilities, just to name a few, which do ultimately support our students, but are not coded to 1000.

The District looks forward to meeting with your team in six months to discuss how we have implemented the recommendations.

Sincerely,

Paul McDonald
Superintendent